

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
JANUARY 6, 2015
5:30 P.M.

Commissioners Present: John Brown, President; Steve Mital, Vice President; John Simpson, Dick Helgeson and James Manning

Others Present: Roger Gray, Mel Damewood, Roger Kline, Todd Simmons, Mike McCann, Mark Freeman, Frank Lawson, Lena Kostopulos, Sue Fahey, Cathy Bloom, Gail Murray, Lance Robertson, Susan Eicher, Jill Hoyenga, Dave Churchman, Brad Taylor, Joe Harwood, Wally McCullough, Alan Fraser, Richard Jeffryes, Gene Austin, Deborah Hart, Laura Farthing, and Taryn Johnson of the EWEB staff; Vicki Maxon, Recorder.

President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

AGENDA CHECK

It was moved by Commissioner Simpson, seconded by Commissioner Manning, to postpone item #15 until the February meeting. The motion passed unanimously (5-0).

ITEMS FROM BOARD MEMBERS

Commissioners Helgeson and Manning wished everyone Happy New Year. Commissioner Manning noted that he wants to start the New Year by reminding ratepayers that the Board wishes to be fair and transparent regarding EWEB policies and procedures.

President Brown thanked his fellow Commissioners for tolerating him in his role as Board president, and said that he looks forward to serving for another four years and doing good work.

PUBLIC INPUT

Will Rutherford of the McKenzie Clearwater Coalition gave a follow-up on Mel Damewood's previous Leaburg Dam rollgate repair update. He complimented EWEB's Public Affairs staff for their continued (at least weekly) contact regarding the schedule for traffic traveling over the bridge during the repairs. He noted that he in turn posts this information to the Coalition website, and that he believes there has been minimal inconvenience to residents because of the excellent communication, and he thanked the Board and staff for their transparency.

Former EWEB Commissioner **Bob Cassidy** noted that he had compared 2013 and 2014 EWEB rates, and that while his electric bill has gone up approximately \$17, his water bill has come down \$18, so that results in a wash. He reminded the audience that the key customer expenses are City charges that appear on EWEB's bill and that overall EWEB's rates are very reasonable, especially when reliability is so high, as evidenced during the ice storm response last February.

Commissioners Manning and Helgeson appreciated Mr. Cassidy's comments. Commissioner Helgeson thanked Mr. Rutherford for his continued attendance and comments at Board meetings.

Commissioner Simpson also thanked Mr. Rutherford for being a great resource to the Board and for carrying the Board's message to upriver residents. He reminded Mr. Cassidy that EWEB will not be raising electric rates this year, though there will be some rate restructuring that will result in no revenue increase.

President Brown appreciated Mr. Rutherford, and asked him to continue his attendance at Board meetings. He noted that Mr. Rutherford's presence upriver will also be necessary if EWEB gets their hydroelectric license.

President Brown temporarily closed the Regular Session at 5:43 p.m.

LOCAL CONTRACT REVIEW BOARD

Protest of Award – RFP 050-2014

Sandra Bishop, Lewis Santiago of Holland & Knight (attorneys), and Scott Huffmaster, Vice President of Trees, Inc., summarized the reasons for their protest and referred to a letter stating those reasons. They noted that they were the second most responsive proposer with the second lowest cost, and that there was a \$75,000/year variation over five years between the awardee and their company.

They also stated that they believe that the contract is a commodity contract that EWEB should have used a competitive bid process instead of a Request for Proposal (RFP), and that material partiality entered into the process, and that that came about in the scoring process. They asked that the Local Contract Review Board fairly and fully review the process and insist on a cogent explanation from staff as to why the contract was awarded to the highest bidder and, if the Review Board agrees, the awardee's proposal should be thrown out and the contract should be awarded to the lowest bidder.

Cathy Bloom, Finance Manager; Gail Murray, Purchasing & Risk Manager; and Eric DeFreest, EWEB general counsel; asked the Board to either confirm or deny the above protest based on the information they had received in their Board packet a few weeks prior.

Vice President Mital asked for confirmation of what the Board is being asked to determine. Mr. DeFreest replied that the Board is being asked to either confirm the protest and re-bid the contract using the competitive bid process or award the contract to Trees, Inc.

General Manager Gray noted that the tree trimming work involved in this contract has never been considered a commodity, but is a critical service, and that is why the RFP process is used.

Commissioner Simpson asked for a brief summary of the process leading up to this review, and Ms. Murray provided the summary.

Staff answered clarifying questions and comments from the Board, including length of the current contract, percentage of price difference between the two proposals, and if subjectivity is used when looking at the various scores.

President Brown asked if there is a process in place whereby a proposer can object to the bid criteria before the evaluation process begins. Ms. Murray replied that there is, and that Trees, Inc. had not taken advantage of that opportunity (i.e., they had voiced no objection to bid criteria prior to the evaluation process).

Commissioner Helgeson stated that, after looking at the records that were supplied to the Board (except for scores and the letter received tonight), it appears that the correct process was followed. He added that the community is very sensitive to tree issues and that he also does not regard tree trimming as a commodity, and that for him the lowest bid is not the most important consideration. He noted that many times extra time with customers, City right-of-way and policies, etc., put EWEB at risk if staff was only to consider the lowest bid.

Commissioner Simpson stated that, while there's opportunity to refine the selection process, he doesn't find material bias, but that he looks forward to refinement of the selection process at a future meeting.

Vice President Mital agreed that tree trimming is not a commodity and that crew danger is real, and that he was glad to hear about the subjectivity results.

Ms. Murray clarified that there is no formula for determining subjectivity.

President Brown reiterated that a platform to protest the process existed prior to tonight, and that it wasn't used. He agreed that tree trimming is not a commodity, and also reiterated that the community is sensitive to trees and the environment, and that EWEB takes heat if trees are not handled in the right way.

Commissioner Helgeson added that he struggles to come to the conclusion that inherent bias or partiality existed, and that consistent results and the process turning out a certain way does not automatically mean that bias exists. He added that EWEB's long relationship with the

incumbent awardee is unavoidable, and could indicate bias either for or against, and that the consistency of results actually suggests the opposite.

It was moved by Commissioner Simpson, seconded by Commissioner Helgeson, to deny the award protest. The motion passed unanimously (5-0).

Commissioner Manning asked if the Board could review the selection process and find out what has changed from the initial process. He also proposed that if an incumbent awardee exists, they not be considered in the second round.

President Brown asked that Commissioner Manning make a motion for that when he re-opens the regular session.

The Local Contract Review Board session was closed at 6:24 p.m.

President Brown then re-opened the Regular Session.

CONSENT CALENDAR

MINUTES

1. December 2, 2014 Regular Session

RATIFICATION OF BOARD CONSULTANTS FOR 2015

2. Retained Professionals and Attorneys for 2015

2.1 General Counsel - Eric DeFreest, Luvaas Cobb Law Office

2.2 Special Counsel and Power Risk Counsel - Cable Huston Benedict Haagensen & Lloyd

2.3 Special Counsel Legal Services - Law offices of Jeremy Weinstein

2.4 Special Counsel (BPA Rate Review) - Murphy & Buchal LLP

2.5 Human Resources Counsel - Harrang, Long, Gary and Rudnick

2.6 Bond Counsel - Mersereau and Shannon

3. Ratification of Board Consultants for 2015

3.1 Independent and Consulting Engineers – Black & Veatch

3.2 Independent Actuaries - Kenney Consulting

3.3 Independent Auditor and Certified Public Accountant - Moss Adams

3.4 Financial Advisor - Piper Jaffray (Seattle Northwest Securities Corp)

CONTRACT

4. Pacific Excavation, Inc. – for the 6th Avenue Water Main Replacement to accommodate LTD's West Eugene EmX Extension Project. \$309,000. Engineering Services. Contact person is Mel Damewood.

RESOLUTION

5. Resolution No. 1503 - Approving Board Policy Modifications, Contact Person is Roger Gray.

It was moved by Commissioner Helgeson, seconded by Commissioner Manning, to approve the Consent Calendar. The motion passed unanimously (5-0).

2015 ELECTION OF OFFICERS

President Brown explained the nomination and voting process.

President:

Commissioners Helgeson and Simpson nominated Vice President Mital
The vote was unanimous (5-0).

Outgoing President Brown passed the gavel to newly elected President Mital.

President Mital thanked the Board for their confidence in him and said he looks forward to the opportunity to be president of the Board.

Vice President:

Commissioner Manning nominated Commissioner Simpson. Commissioner Brown seconded the nomination.

President Mital nominated Commissioner Helgeson.

Commissioner Simpson recalled his previous experience as president and vice president and noted that his availability is flexible for agenda setting, and that he looks forward to working with President Mital in this regard.

Commissioner Helgeson noted that he had expressed interest in the vice presidency earlier in the year and that he appreciates the nomination. He added that he too feels qualified for the position but that he believes every Commissioner is capable of this role.

President Mital clarified that his primary reason for the nomination is to incorporate a relatively new Board member into a Board office.

A vote was taken. Commissioner Simpson received three votes (Brown/Simpson/Manning) and Commissioner Helgeson received two votes (Mital and Helgeson). Commissioner Simpson becomes the new Vice President.

2015 APPOINTMENT OF BOARD LIAISON ASSIGNMENTS AND COMMITTEES

General Manager Gray noted that Commissioner Helgeson is currently EWEB's representative to the Northwest Public Power Association (NWPPA) and that only the NWPPA can authorize a change to that position, and that Commissioner Manning is currently EWEB's representative on the Other Post Employment Benefits (OPEB) committee, and that only OPEB can authorize a change to that position.

President Mital noted that Vice President Simpson is vice president of the Lane Council of Governments (LCOG) Board and will continue to serve in that capacity, with Commissioner Manning as alternate.

The Board voted unanimously (5-0) for Vice President Simpson and Commissioner Manning to continue to serve in the above capacities on the LCOG Board.

For the McKenzie Watershed Council, currently Steve Newcomb (management) serves, with Commissioner Helgeson as alternate. Commissioner Helgeson asked to discontinue his service, and President Brown agreed to be the new alternate.

The vote was unanimous (5-0) for Commissioner Helgeson to continue on the NWPPA Board and for Commissioner Manning to continue on the OPEB committee.

PROPOSED BY-LAW AMENDMENT: Section II, Article I (Resolution 1502)

PUBLIC COMMENT FOR PROPOSED BY-LAW AMENDMENT

There was none.

It was moved by Vice President Simpson, seconded by Commissioner Helgeson to approve Resolution 1502.

It was then moved by Commissioner Helgeson, seconded by Vice President Simpson, to amend the above motion by substituting language that he provided in an e-mail to the Board earlier today, whereby the word “approve” would be struck and the words “for consideration” be substituted in its place.

General Manager Gray proposed an additional wording change of “lowest possible cost.” Mr. Helgeson supported this change.

The motion passed unanimously (5-0).

President Mital called for a 10-minute recess.

2015 ORGANIZATIONAL GOALS AND KPI

This item was postponed until the February Board meeting.

ELECTRIC SYSTEM PLANNING UPDATE

With the aid of overheads, Mel Damewood, Engineering Manager; Frank Lawson, Systems Engineering Supervisor and Richard Jeffries, Senior Engineer – EE/ME provided the

above update, and addressed clarifying questions and comments from the Board regarding urban growth boundary expansion, territory growth and possible takeover, and reliability.

WATER SYSTEM MASTER PLAN UPDATE

With the aid of overheads, Mr. Damewood, Wally McCullough, Water Engineering Supervisor, Laura Farthing, Senior Engineer-Civil presented the above update, and address clarifying questions and comments from the Board.

Commissioner Helgeson requested that staff communicate more information to customers regarding the plan for an additional water source (AWS), water system expansion, new rate design, etc.

Commissioner Brown requested that staff continue to address the inequity of the system development charge for varied elevations, and asked about the plan in place for Hayden Bridge water treatment plant if it experienced an outage.

President Mital asked staff if there are specific issues they would like the Board to weigh in on. Mr. Damewood replied that College Hill Reservoir would be one example.

CORRESPONDENCE & BOARD AGENDAS

General Manager Gray reminded the Board that the State of the City address will occur tomorrow night, January 7, at the Hult Center, and will include the swearing-in ceremony for Commissioners Brown and Simpson.

BOARD WRAP-UP

Commissioner Manning restated his desire to review the RFP and competitive bid processes but withheld a motion until he gets more background from General Manager Gray. He thanked Commissioner Brown and President Mital for their efficiency in the last year and congratulated Commissioner Brown and Vice President Simpson on their re-election to the Board.

Commissioner Helgeson stated that he is contemplating a vacation to Europe from mid April through mid May and will miss at least one Board meeting, and will provide more information once the dates are firmed up.

Commissioner Brown stated he will not be able to attend the February meeting.

Vice President Simpson voiced the desire to go to Washington, D.C. to assist with NWPPA and APPA lobbying efforts. General Manager Gray clarified that there will be two opportunities for assistance in that regard, and Commissioner Helgeson also voiced the desire to assist.

President Mital asked Vice President Simpson and Commissioner Helgeson to verify their interest with an e-mail to General Manager Gray in order to confirm the dates.

President Mital adjourned the Regular Session at 8:28 p.m.

Assistant Secretary

President